

Sweet Home Central School District

*Risk Assessment,
Recommendations
and Findings for 2025-2026*



Build Together,
Win Together

Sweet Home Central School District

Risk Assessment, Recommendations and Findings for 2025-2026

Table of Contents

	<u>Page</u>
Transmittal Letter	
Risk Assessment	
Overview	1-2
Risk Management Tolerance Model	3
Risk Assessment Matrix	4
Internal Control Recommendations	
Overview	5
Capital Asset Acquisition and Inventory	6-7
Materials Acquisition and Management	8
Financial Reporting	9-10

To the Audit Committee of the Board of Education
of the Sweet Home Central School District

We are pleased to report on the annual risk assessment of the Sweet Home Central School District (the "District"). The purpose of our engagement is to assist you in the development of a risk assessment of District operations, and provide recommendations to strengthen controls and reduce the identified risks. This report was developed from inquiry, observations and tests of internal control.

The District's risks are the risks that an action or event will adversely affect its ability to successfully achieve its objectives. The Risk Assessment section of the report analyzes the significant risks that were identified during our engagement.

For purposes of this report, internal control is a process affected by the Board of Education (the "Board"), department heads and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting and safeguarding of assets. We have evaluated the District's current internal controls and have provided our risk assessment and a set of recommendations for strengthening controls and reducing identified risks, as applicable.

As noted, the purpose of our engagement was to assist you in improving the internal controls and reducing the risks that may be present in your District. However, it is ultimately your responsibility to assess the adequacy of your risk management system. In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined or reviewed the information, and express no assurance thereon.

The accompanying comments and recommendations are intended solely for the information and use of the Audit Committee of the Board, the Board, department heads and others within the District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your District for their cooperation. We have already discussed the contents of this report with various District personnel, and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these processes, or to assist you in implementing any recommendations.

Tronconi Segarra & Associates LLP

Williamsville, New York
February 3, 2026

Risk Assessment

Sweet Home Central School District

Risk Assessment

Overview

The Sweet Home Central School District's (the "District") risks are the risks that an action or event will adversely affect the District's ability to successfully achieve its objectives. During our engagement, we became aware of various sources of risk that impact the District. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications on the District.
- A moderate impact suggests that the risk could have implications for the District's ability to succeed.
- A significant impact suggests that the risk would have important implications to the District.

Likelihood refers to the probability that the risk may occur given the current context of the District. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur, despite the current risk management practices in place.

The Risk Management Tolerance Model and the Risk Assessment Matrix that follow summarizes these risks and assesses their impact and likelihood.

Cycles plotted in the red sections of the model are considered to be high risk, and as such, any related deficiencies should be given urgent attention in terms of priority. Cycles plotted in the yellow sections are considered to have moderate risk, are considered to be important, and should be given second priority after the high-risk cycles. Cycles plotted in the green section of the model are considered least risky and remediation efforts to address deficiencies in these cycles would be expected to be addressed during routine operations of the District.

Sweet Home Central School District

Risk Assessment (continued)

Overview (continued)

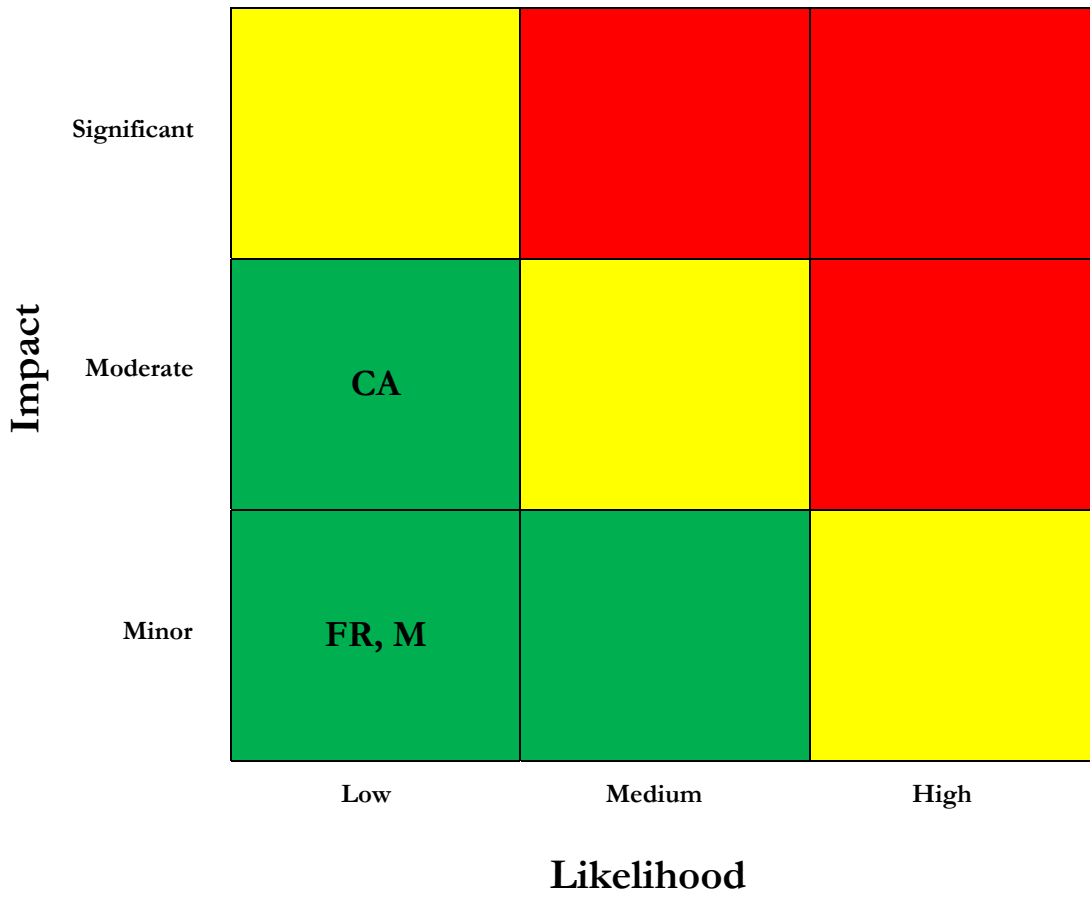
We have developed the risk assessment around significant financial transaction cycles as a means by which the associated risks can be easily understood and managed. The Internal Control Recommendations section of this report presents recommendations with more detailed information regarding criticality and implementation timelines. In accordance with the rotation plan set forth in the 2025-2026 Internal Audit Plan, the significant cycles or areas in which we have performed testing are as follows:

- Capital Asset Acquisition and Inventory (CA);
- Materials Acquisition and Management (M); and
- Financial Reporting (FR)

Sweet Home Central School District

Risk Assessment (continued)

Risk Management Tolerance Model



Sweet Home Central School District

Risk Assessment (continued)

Risk Assessment Matrix

Based on our review of the key controls within the identified cycles below, we determined that there is a low likelihood of risk occurring based on the key controls identified within each area. Additionally, as a result of the current design and operation of the identified key controls, there would potentially be minor to moderate impact on the District if these risks were to occur.

Cycle	Risk Assessment Based on Procedures Performed	Impact	Likelihood
CA	We noted minor overall risk in the Capital Asset Acquisition and Inventory cycle.	Moderate	Low
M	We noted minor overall risk in the Materials Acquisition and Management cycle.	Minor	Low
FR	We noted minor overall risk in the Financial Reporting cycle.	Minor	Low

Internal Control Recommendations

Sweet Home Central School District

Internal Control Recommendations

Overview

Internal control recommendations represent those areas that afford department heads of the District the opportunity to improve financial reporting and internal controls, to better safeguard District assets and/or to more efficiently or accurately record, summarize and report financial transactions and information. They also represent those areas that may improve efficiency of operations and accounting functions, potentially resulting in cost savings.

We have provided a criticality rating and an implementation timeline for each internal control recommendation. Criticality ratings considered included routine, important and urgent. The implementation timelines considered were short-term and long-term, reflecting the effort and time required to implement the applicable recommendation while factoring in the criticality assigned thereto. Short-term refers to a finding that we believe can be corrected within one year. Long-term refers to a finding that may require changes to the organization, systems and/or procedures that may require over one year to effectuate change.

As a result of our procedures performed, we identified four recommendations for inclusion in this report, two for Capital Asset Acquisition and Inventory and two for Financial Reporting.

Internal Control Area	Number of Recommendations	Criticality			Timeline	
		Routine	Important	Urgent	Short-Term	Long-Term
Capital Asset Acquisition and Inventory	2	2	0	0	2	0
Materials Acquisition and Management	0	0	0	0	0	0
Financial Reporting	2	0	2	0	2	0
Total Recommendations	4	2	2	0	4	0

Sweet Home Central School District

Internal Control Recommendations (continued)

Capital Asset Acquisition and Inventory (CA)

RECOMMENDATION 1

Criticality: Routine
Timeline: Short-Term

Finding: The District's asset inventory listing in Asset Maxx for fiscal year ended June 30, 2025 still indicated certain disposed assets as being active, as the disposal of the assets was not adequately documented. Additionally, an asset that was properly disposed of in accordance with District policy was not removed from the asset inventory listing in a timely manner.

Background: We reviewed the asset inventory listing and selected twenty assets to test to ensure the assets were properly tagged, recorded, and located within the District. During our asset search, we noted three out of the twenty assets tested were not located and determined to have been disposed prior to the fiscal year under prior District management. As a result, these assets had not been properly removed from the asset inventory listing. Additionally, we noted a bus that was disposed of through the proper approval channels during the fiscal year that was not removed from the asset inventory listing.

Impact: *Moderate* – Without proper disposal documentation, there is a risk that items listed on the asset inventory listing may have been disposed of without proper approval, or items included on the asset inventory listing were unknowingly removed from the District. Additionally, the District's financial records for depreciation or equipment values may not be accurate.

Likelihood: *Low* – There is a reasonable likelihood that disposed assets still remain on District's Asset Maxx inventory listing. However, due to the age of the items which may have been disposed of prior to the current management and not removed from the asset inventory listing, the likelihood of the District's financial records being overstated is low, as such assets would likely be fully depreciated at this point in time. Additionally, based on our testing, it appears that the District is properly following disposal policy and procedures for all recent asset disposals.

Recommendation: We recommend the District review the asset inventory listing and remove assets in a timely manner that have been properly disposed of in accordance with the District's disposal procedures.

Sweet Home Central School District

Internal Control Recommendations (continued)

RECOMMENDATION 2 – (Repeat Recommendation from 2020)

Criticality: Routine

Timeline: Short-Term

Finding: Each individual District department has their own procedures for inventory counts and maintaining inventory listings. These processes often entail different policies and procedures for each department. Additionally, a physical inventory count is not always performed at least annually.

Background: We inquired of District personnel and inventory counts do not have uniform procedures and are performed periodically, and not always every year.

Rationale:

Impact: *Minor* – If there were instances in which capital assets were misappropriated or misplaced, it would most likely not result in a material financial loss to the District due to the overall low cost of the individual items.

Likelihood: *Medium* – Due to the quantity of capital assets owned by the District and the fact that certain types of assets can be transported easily between departments, such as laptops, we assessed the likelihood of this risk as medium.

Recommendation: Each District department should follow formal written procedures for capital asset inventory control. These should include responsibilities of each departmental position, backup training, and procedures to be completed by each position in the process. Additionally, an annual physical inspection should be performed to determine that all assets are present, in usable condition, located in the assigned area, and accurately recorded in the District's fixed asset records.

Sweet Home Central School District

Internal Control Recommendations (continued)

Materials Acquisition and Management (M)

We have no findings or recommendations as a result of procedures performed for this cycle.

Sweet Home Central School District

Internal Control Recommendations (continued)

Financial Reporting (FR)

RECOMMENDATION 1

Criticality: Important
Timeline: Short-Term

Finding: The District does not currently document the review and approval of all monthly bank reconciliations.

Background: We reviewed the monthly bank reconciliations and could not substantiate the review and approval completed by the Assistant Superintendent of Finance and Plant Services (“Assistant Superintendent”). All monthly bank reconciliations are prepared by the District Treasurer, who compiles all applicable supporting documentation for the month-end review and approval. The District’s policies require the Assistant Superintendent to sign off and date the bank reconciliation to document his review; however, this was not documented during the fiscal year.

Impact: *Minor* – The Assistant Superintendent is reviewing the bank reconciliations. However, there is no audit trail of this review. The risk is mitigated as we noted proper documentation of the Assistant Superintendent’s review of other month-end documents, such as journal entries.

Likelihood: *Low* – In the absence of a documented control, the likelihood of the occurrence of errors within the monthly bank reconciliations increases. However, the likelihood is reduced given the review of other month-end documents by the Assistant Superintendent, as noted above.

Recommendation: We recommend that the Assistant Superintendent electronically sign off and date the monthly bank reconciliations to substantiate his review and approval.

Sweet Home Central School District

Internal Control Recommendations (continued)

RECOMMENDATION 2

Criticality: Important
Timeline: Short-Term

Finding: The District does not currently provide budget status and revenue status reports to the Board for funds other than the General Fund.

Background: We reviewed the monthly reports routinely provided to the Board. We noted that while the monthly Treasurer's Report includes information regarding cash activity for all District funds, the budget status and revenue status reports provided to the Board only include the General Fund revenue and expense activity. The District's policy #5570 entitled "Financial Accountability" includes routinely providing budget and revenue status reports to the Board, which we believe should include all of the District's funds.

Impact: *Minor* – The Board receives monthly budget and revenue status reports for the General Fund, which consists of the bulk of the District's financial activity. However, budget and revenue status reports for the remaining District funds, such as the School Lunch, Federal and Capital Projects funds, would provide useful information to the Board for monitoring other revenue sources and spending activity of the District. The risk is mitigated as we noted the District Treasurer and Assistant Superintendent monitor the District's funds throughout the year and provide cash balance reports to the Board at each meeting.

Likelihood: *Low* – In the absence of receiving budget and revenue status reports for all funds in addition to the General Fund, the Board may not be aware of budgetary or revenue issues within the other District funds. However, the likelihood of this risk is reduced given the review of these reports by the District Treasurer and Assistant Superintendent, as noted above.

Recommendation: We recommend that the District Treasurer provide budget and revenue status reports for all District funds to the Board at each meeting.